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C O N F I D E N T I A L SECTION 01 OF 03 MOSCOW 000898

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COMMERCE FOR MAC (JACK BROUGHER, MATT EDWARDS, JAY THOMPSON)

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TAGS: [ETRD](#) [KIPR](#) [EINV](#) [ECON](#) [WTO](#) [RS](#)
SUBJECT: DEPUTY ECONOMIC MINISTER WEIGHS IN ON ST.
PETERSBURG FORUM, IPR AND G20

REF: MOSCOW 873

Classified By: Ambassador John R. Beyrle, Reasons 1.4(b,d).

SUMMARY

11. (C) In an April 7 meeting with the Ambassador, Deputy Economic Development Minister Stanislav Voskresensky urged U.S. Cabinet-level participation in the St. Petersburg International Economic Forum to be held on June 4-6. Voskresensky said the GOR was very pleased with the President Obama-President Medvedev meeting in London and felt that bilateral economic and trade relations could now deepen. He downplayed the outcomes of the G20 London Summit and noted that the challenge would now be to translate the broad declarations in the G20 Leaders' Statement into concrete actions. Voskresensky also praised the IPR Working Group and looked forward to continued bilateral collaboration on IPR issues, emphasizing that Russia now recognized the damage that Internet and optical disk piracy was inflicting on Russian film makers and artists. End Summary.

St. Petersburg International Economic Forum

12. (C) Voskresensky urged U.S. Cabinet-level participation in the St. Petersburg International Economic Forum (SPIEF) to be held on June 4-6. Tasked with forum preparations, Voskresensky explained that the event was Russia's marquee annual economic conference, whereas the Sochi Investment Forum focused more specifically on direct investment in Russia, and the Krasnoyarsk Economic Forum concentrated on Siberian and other regional development issues. Despite the global economic crisis, Voskresensky still expected strong participation in the SPIEF from global business leaders and senior government officials.

13. (C) Voskresensky noted that President Medvedev would open the forum, along with the Finnish and Spanish PMs, and the Argentine President. The GOR also hoped that former President Clinton would agree to open the forum, noting that there had been a productive and lengthy meeting between PM Putin and President Clinton during the Davos Forum in January 12009. Voskresensky observed that the agenda for this year's forum would focus on global economic and financial issues during the current crisis, which would serve as a useful follow-on to the G20 London Summit.

¶4. (C) As with the 2008 SPIEF, Voskresensky said the GOR planned to host a roundtable of U.S. and Russian business leaders on the evening of June 4. The 2008 roundtable, led by then Commerce Secretary Gutierrez and Russian Union of Industrialists and Entrepreneurs President Shokhin, had produced a fruitful discussion on bilateral business issues.

¶5. (C) Voskresensky noted that President Medvedev along with all of the GOR's senior economic leaders would attend, including First DPM Shuvalov, DPM and Finance Minister Kudrin, other DPMs with economic portfolios such as Sergey Ivanov, and relevant ministers, including Economic Development Minister Nabiullina and Industry and Trade Minister Khristenko.

¶6. (C) The Ambassador said he planned to attend the forum, and the Embassy had passed to Washington the formal SPIEF invitations from Economic Development Minister Nabiullina to Commerce Secretary Locke, Treasury Secretary Geithner and U.S. Trade Representative Kirk. The Ambassador would continue to urge high-level USG participation in the forum, though there had not yet been a decision about which senior Washington officials would attend the event.

Economic Relationship Following the Obama-Medvedev Meeting

¶7. (C) Voskresensky said both he and Presidential Economic Adviser Dvorkovich (Voskresensky used to serve as

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Dvorkovich's deputy, and the two remain close) believed there was great potential to develop the U.S.-Russia economic relationship following the April 1 meeting of Presidents Obama and Medvedev. The Ambassador noted that the economic component of the Obama-Medvedev Joint Statement had indicated new directions for the relationship, including the intergovernmental commission on trade and economic cooperation and a pledge to finalize Russia's WTO accession as soon as possible. The Ambassador suggested that the SPIEF and continued engagement through the U.S.-Russia IPR Working Group (reftel) could fit well into the deepening bilateral economic relationship.

G20 Summit: Moving from Words to Actions

¶8. (C) Voskresensky said the GOR was in general satisfied with the outcomes of the G20 London Summit. (N.B. Voskresensky noted that he had not attended the London Summit, but had received a detailed readout from Dvorkovich.) Voskresensky said he questioned the seriousness of the summit outcomes, but admitted that the results "could have been worse," and he cautioned he was expressing his personal view, rather than an official government position. He characterized the G20 Leaders' statements on support for IFIs and strengthened financial supervision and regulation as "words" that would need to be followed up with concrete action. In addition, intractable disputes between China and the EU had led to a weak statement regarding the OECD list of tax havens and bank secrecy zones. He also noted that negotiations of the G20 documents had proven more difficult than similar G8 negotiations, because of the need to accommodate a larger number of disparate views.

¶9. (C) The Ambassador asked whether the G20 support for free trade would help strengthen the position of PM Putin and senior Russian economic officials vis-a-vis those within the GOR and in Russian domestic industries who had been urging greater protectionist measures in response to the crisis. Voskresensky responded that Russia had lowered more import duties than it had raised in the past few months, though he admitted that the GOR had engaged in "bad PR" in regard to

the duty increases on automobiles and harvesters. Putin's address to the Duma on April 6 had made clear that the GOR would no longer support inefficient domestic producers, he added.

Continued Bilateral Engagement on IPR Issues

¶10. (C) Voskresensky said the U.S.-Russia IPR Working Group meeting on March 23-24 in Moscow (reftel) had been very positive and led to a plan for future meetings where both countries could discuss common IPR challenges and ways to work together to combat global problems such as Internet piracy. Voskresensky indicated that he was committed to continued participation in the IPR Working Group, and the Ambassador expressed his appreciation for Voskresensky's direct involvement and interest in IPR issues.

¶11. (C) Voskresensky said the GOR was now starting to "get serious" about IPR issues, in particular the problem of Internet and optical disk piracy. He noted that the GOR recognized the heavy economic damage that Russian film makers had suffered from piracy. The producers of two blockbuster Russian films that were released during 2008 ("Stilyagi," or the Hipsters, and "The Uninhabited Island") had lost millions of dollars in potential revenue due to Internet and optical disk piracy not only in Russia, but also in Russian Diaspora markets in Europe and the U.S. (e.g., Brighton Beach).

¶12. (C) In response to the Ambassador's question about the status of the Russian accreditation process for a royalty collecting society benefiting performers and producers, Voskresensky acknowledged that the GOR needed to make the tender and accreditation process more transparent. The lack of an effective process not only harmed international performers and producers, but also constrained the development of the Russian music industry. He added that the business model for the music industry had been undermined by

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rapid technological changes, and Russian recording industry sales had been precipitously dropping by 30% year-on-year since 2005. In his view, the music industry would have to fundamentally restructure over the next two years in order to survive, even with strong IPR protections and enforcement in the interim.

¶13. (C) The Ambassador suggested that it was worth considering whether the U.S.-Russia IPR Working Group should be in some way connected with the intergovernmental commission on trade and economic cooperation outlined in the Obama-Medvedev Joint Statement. Voskresensky said he would prefer that the IPR Working Group make further progress as a separate entity before linking it to the commission.

COMMENT

¶14. (C) Voskresensky will likely be a key Russian player not only in the revitalized IPR Working Group, but also in framing the broader economic and trade relationship and fleshing out the economic component of the Obama-Medvedev Joint Statement. The SPIEF will be a useful opportunity for senior-level USG officials to engage with all of the key senior GOR economic officials, to continue pursuing our bilateral economic and trade agenda, and to build toward the economic component of this summer's presidential summit.
BEYRLE